

# **Wisconsin Homestead Credit Situations and Solutions**

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There are no substantive changes since the last version of this publication.

## I. INTRODUCTION

Each year thousands of Wisconsin homestead credit claims are sent back to the claimant or require a letter to obtain additional information. In addition, many claims are adjusted unnecessarily, because insufficient information was provided when the claim was filed.

This publication lists common situations that require special attention and may require additional documentation or explanations when filing a homestead credit claim. For each situation, solutions are given that will help avoid having a homestead credit claim sent back to the claimant (or having a letter sent) to obtain additional information, or having the claim adjusted. In the solutions, the instruction to “attach” various items means attach them to the homestead credit claim submitted to the Department of Revenue or, in the case of electronically-filed claims, attach them to the Form W-RA, *Required Attachments for Electronic Filing*, that is mailed to the department.

### CAUTION

The information in this publication reflects interpretations by the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature as of December 1, 2005. Laws enacted after this date, administrative rules, and court decisions may change the interpretations in this publication.

## II. SITUATIONS AND SOLUTIONS

### A. Situations Relating to Attachments or Verification

#### 1. Proper tax forms not attached

**Situation A1:** Schedule H or H-EZ is filed: without a Wisconsin income tax return when one is required; without a copy of the federal income tax return and supporting schedules when those are required; or without wage statements to verify withholding.

**Solution:** If a Wisconsin income tax return is required, file it **with** the Schedule H or H-EZ, or attach a copy of it to Schedule H or H-EZ. Include copies of the federal return and wage statements, if applicable. Staple all of the items together. Here are some more tips:

#### Wisconsin income tax return

- Include a Wisconsin income tax return with Schedule H or H-EZ if:
  - Taxable income reported on Schedule H or H-EZ exceeds the amount that requires an income tax return to be filed.
  - Income is reported on line 7 of Schedule H (line 4 of Schedule H-EZ). (**Note:** If a Wisconsin income tax return is not required and is not being filed for the year, report taxable income on line 8 of Schedule H instead of line 7 (line 5 of Schedule H-EZ instead of line 4).)
- If a Wisconsin income tax return was filed separately from the Schedule H or H-EZ:
  - Check the box on line 7 of Schedule H.
  - Attach a **complete** copy to Schedule H or H-EZ, including the items listed under “Federal return copy” and “Wage statements” below (attach a copy of your Wisconsin TeleFile worksheet if you filed by telephone).
  - Write “Duplicate” at the top of the Wisconsin tax return copy.
  - Write “Income Tax Return Separately Filed” at the top of Schedule H or H-EZ.

#### Federal return copy

- Attach a complete copy of the federal return, including all schedules, if filing a Wisconsin Form 1 or 1NPR.

### **Wage statements**

- Attach copies of all wage statements to verify wages reported and Wisconsin taxes withheld.

## **2. *Schedule H or H-EZ not attached***

**Situation A2:** An amount is filled in on the homestead credit line of the Wisconsin income tax return, but no Schedule H or H-EZ is included.

### **Solution:**

- File Schedule H or H-EZ **with** the Wisconsin income tax return (staple them together).
- Do not fill in an amount on the homestead credit line of the tax return if a homestead credit claim is not being filed.
- Do not fill in an amount on the homestead credit line of the tax return if a Schedule H or H-EZ was filed separately from the tax return.

## **3. *Proper rent certificates or correct property tax bills not attached***

**Situation A3:** Either: rent certificates are not attached to the homestead credit claim; rent certificates are not properly completed; or the correct property tax bills are not attached.

### **Solution:**

#### **Rent certificates not attached**

- Attach rent certificates to verify all of the rent claimed. If the claimant is claiming rent for more than one homestead during the year, attach all of the rent certificates to one Schedule H or H-EZ. Do not file a separate claim for each homestead.

#### **Rent certificates not properly completed**

- Be sure all lines of each rent certificate are completed (lines 1 to 5 should be completed by the claimant, and lines 6 to 13 and

the signature line must be completed by the landlord).

- There may be no alterations on the rent certificate, such as erasures, linethroughs, whiteouts, etc.
- The landlord's signature must be an original signature – no photocopied signatures or stamped signatures are allowed.
- The claimant should obtain a new rent certificate from the landlord if it: (a) is incomplete; (b) is incorrect; or (c) has been altered.
- Be sure to complete the Shared Living Expenses Schedule on the bottom of the rent certificate, if applicable (see Situation C2 on page 8).

#### **Correct property tax bills not attached**

- Attach property tax bills to verify all of the property taxes claimed, or see Situation A5 on page 3 if a homestead was sold or purchased during the year.
- Be sure the correct year's property tax bill is attached (for example, the property tax bill attached to a 2005 homestead credit claim must be a 2005 property tax bill, most likely issued in December 2005, and payable in 2006). Property taxes do not have to be paid in order to claim homestead credit.
- Attach the original or a legible duplicate, carbon copy, or photocopy of the property tax bill, or a computer printout obtained either directly from the county or municipal treasurer or from their web site. The property tax bill or computer printout must show all of the following information: the year; the owner's name; the legal description or address of the property; the assessed value of land and improvements; and property taxes before and after state aids and credits. It must also have lines for special assessments and the lottery and gaming credit.

- Do **not** attach installment tax stubs, mortgage statements, canceled checks, or money order receipts. They cannot be accepted as a substitute for the property tax bill.

#### 4. *Ownership not verified when other names on tax bill*

**Situation A4:** The property tax bill lists “et al” (which means “and others”), or lists names other than or in addition to the claimant or the claimant’s spouse as owners, and the claimant’s ownership is not properly verified.

##### **Solution:**

- Attach verification of the claimant’s and/or spouse’s ownership percentage (or verification that the claimant or spouse has a life estate). Verification may be a copy of a deed, a land contract, a life estate agreement (which is generally provided in a warranty deed or quit claim deed), a divorce judgment, a final judgment in an estate, or a trust instrument.
- Attach a note explaining: (a) what portion of the year the claimant (or claimant and spouse) and each other owner lived in the homestead; (b) what portion of the property taxes each owner paid; and (c) any other information that helps explain the situation.
- If documentation of ownership and an explanation were provided with a previous year’s claim and circumstances have not changed, attach a note indicating this. It is not necessary to resubmit the documentation with the current year’s claim.
- If the homestead is co-owned with persons other than the claimant’s spouse, claim only the portion of the taxes reflecting the claimant’s and spouse’s ownership percentage (see EXCEPTION in the next column).
- If the claimant pays all of the property taxes and the other owners did not live in the homestead during the year to which the claim relates, claim the portion of the property taxes representing the other owners’

ownership percentage as rent on line 14c of Schedule H (line 9c of Schedule H-EZ). See EXCEPTION below.

**EXCEPTION:** If the claimant inherited a partial ownership interest in the homestead, but the decedent’s will provides that the claimant is to pay all of the property taxes:

- Use all the property taxes in computing homestead credit (all the property taxes from the date of the decedent’s death if this occurred during the year to which the claim relates), even though the homestead is co-owned.
- If the claimant was married and the spouses resided in separate homesteads for any part of the year, see Situation E1 on page 12 for information about computing allowable property taxes.
- Attach a copy of the will to verify the inheritance and the tax payment requirement (but see the item in the previous column regarding previously provided documentation).

#### 5. *Proper documentation not attached when homestead sold or purchased*

**Situation A5:** During the year to which the claim relates, the claimant sold or purchased a homestead for which property taxes are being claimed, and proper documentation relating to the sale or purchase is not attached.

##### **Solution:**

##### **Homestead sold during the year**

- Prorate the property taxes for the portion of the year that the claimant both owned and occupied the homestead that was sold.
- Attach a copy of the closing statement from the sale, to verify the claimant’s ownership of the homestead that was sold, the prorated property taxes, and the date the homestead was sold.
- If the claimant moved from the homestead on or after the selling date shown on the

closing statement, claim the prorated property taxes shown on the closing statement. However, if the claimant moved prior to the selling date, the property taxes must be further prorated to reflect only the portion of the year that the claimant resided in the homestead.

- Attach a statement indicating the date the claimant moved from the sold homestead.
- Attach a completed rent certificate or property tax bill for the balance of the year or see “Homestead purchased during the year” below, if applicable. Also see Situation C1 on page 8. Include all of the allowable property taxes and/or rent on one homestead credit claim.
- Attach a schedule showing the computation of the gain or loss from the sale of the homestead (selling price minus adjusted basis minus expense of sale). If the sale resulted in a gain, see Situation B5 on page 6. (**Note:** Any gain must be included in income for homestead credit purposes. This may preclude a person who sells a homestead from qualifying for homestead credit for that year.)

#### **Homestead purchased during the year**

- Prorate the property taxes for the portion of the year that the claimant both owned and occupied the purchased homestead.
- Attach a statement indicating the date the claimant moved to the new homestead.
- Attach a copy of the property tax bill.
- If the previous owner’s name is on the property tax bill, attach a copy of the deed to verify the claimant’s ownership and the date the homestead was purchased.
- Attach a completed rent certificate or property tax bill for the first portion of the year or see “Homestead sold during the year” above, if applicable. Also see Situation C1 on page 8. Include all of the allowable rent

and/or property taxes on one homestead credit claim.

### **B. Situations Relating to Income**

#### ***I. Wisconsin Works (W2) or kinship care payments received***

**Situation B1:** The claimant or the claimant’s spouse received either: Wisconsin Works (W2); or kinship care payments for one or more months during the year to which the claim relates. (**Note:** For homestead credit purposes, “Wisconsin Works (W2) payments” are payments received under the Wisconsin Works assistance program for participating in a community service job or a transitional placement, or payments received as a caretaker of a newborn child.)

#### **Solution:**

#### **Wisconsin Works (W2)**

- Check the bottom box in the area above line 13 of Schedule H.
- Include all Wisconsin Works (W2) payments received on line 9j of Schedule H (line 6i of Schedule H-EZ).
- For each month the claimant received Wisconsin Works (W2) payments, reduce property taxes and/or rent constituting property taxes by 1/12. Do this computation on Schedule 3 on page 3 of Schedule H (the Taxes/Rent Reduction Schedule in the instructions for Schedule H-EZ). (**Note:** If property taxes and/or rent constituting property taxes exceed \$1,450, use \$1,450 as the starting point for computing the 1/12 reduction; for example, if property taxes are \$2,000 and Wisconsin Works (W2) payments are received for 6 months, allowable property taxes = \$725, which is \$1,450 reduced by 6/12, rather than \$1,000.)
- Homestead credit is not allowed if the claimant received Wisconsin Works (W2) payments for all 12 months of the year.

- Amounts received under the Wisconsin Works assistance program for job access loans, health care coverage, child care subsidies, and transportation assistance are not includable in household income and do not require the 1/12 reduction.
- Amounts received under the Wisconsin Works assistance program for a trial job are includable as taxable wages rather than Wisconsin Works (W2) payments. These payments are reported on a wage and tax statement, just as any other wages.

### **Kinship care payments**

- Include all kinship care payments received on line 9j of Schedule H (line 6i of Schedule H-EZ).
- For months the claimant received only kinship care payments (i.e., the claimant received no Wisconsin Works (W2) payments), the 1/12 reduction is not required.

## **2. *Child support, maintenance payments, and other court ordered support money not included in income on Schedule H or H-EZ***

**Situation B2:** During the year to which the claim relates, the claimant or the claimant's spouse received court ordered child support, maintenance payments, or other support money, and the income is not included on Schedule H or H-EZ.

### **Solution:**

- Report court ordered child support payments, court ordered nontaxable maintenance payments, or other court ordered support money, on line 9i of Schedule H (line 6h of Schedule H-EZ).
- Do **not** include voluntary support or foster care payments.
- If the claimant or the claimant's spouse is divorced or separated and has children, but no child support or maintenance payments were received, attach a note explaining this.

## **3. *Social security, pensions, or other retirement benefits not included in income on Schedule H or H-EZ***

**Situation B3:** During the year to which the claim relates, the claimant or the claimant's spouse received: social security, SSI, or railroad retirement payments (or the claimant is age 65 or older and did not receive social security, SSI, or railroad retirement); or pensions and annuities, including distributions from a deferred compensation, IRA, SEP, SIMPLE, or qualified plan; and the income is not included on Schedule H or H-EZ.

### **Solution:**

### **Social security, SSI, and railroad retirement**

- Report the **gross** amount of social security or SSI benefits on line 9b of Schedule H (line 6b of Schedule H-EZ). Report the **gross** amount of railroad retirement benefits on line 9c of Schedule H (line 6c of Schedule H-EZ). If Medicare premiums were deducted from either social security or railroad retirement benefits, include the amounts deducted (for example, \$78.20 per person for each month of 2005 – \$938.40 for the entire year), not just the net amount of the checks.

**Note:** “SSI” includes federal SSI payments, the additional “State SSI” payments, “SSE” (supplemental security income - exceptional needs) payments, “SSD” (social security disability) payments, and “caretaker supplement” payments.

- Include the \$255 social security death benefit if one was received.
- Do **not** include social security or SSI payments paid directly to the claimant's children.
- Do **not** include payments for services that are made under Title XX of the Social Security Act.

- If the claimant or the claimant's spouse was age 65 or older as of December 31 and did not receive either social security, SSI, or railroad retirement benefits during the year, attach a note explaining this.

### **Pensions and annuities**

- Report the **gross** amount of pensions and annuities, including veterans' pensions, disability payments, and **distributions from** a deferred compensation, IRA, SEP, SIMPLE, or qualified plan. Fill in the taxable portion on line 7 or 8b of Schedule H (line 4 or 5b of Schedule H-EZ), as appropriate, and fill in the nontaxable portion on line 9d (line 6d of Schedule H-EZ). The "gross" amount includes amounts constituting the claimant's contributions to a retirement plan. (**Note:** See Situation B4 in the next column regarding **contributions to** a deferred compensation, IRA, self-employed SEP, SIMPLE, or qualified plan.)
- Do **not** include nontaxable rollovers (amounts transferred from one retirement plan to another) or tax-free exchanges of insurance contracts (Section 1035 exchanges).
  - Write "Rollover" or "Tax-Free Exchange" near line 9d of Schedule H (line 6d of Schedule H-EZ) if this applies to any retirement plan transfer or insurance contract exchange.
  - Attach a copy of the federal Form 1099-R or other documentation of the rollover or tax-free exchange if this applies.

**Note:** Taxable rollovers or conversions from one retirement plan to another, such as from a traditional IRA to a Roth IRA, should have been included in income on the Wisconsin return and may not be subtracted in determining household income.

### ***4. Nontaxable deferred compensation or IRA, self-employed SEP, SIMPLE, or qualified plan deduction not included in income on Schedule H or H-EZ***

**Situation B4:** The claimant or the claimant's spouse has excluded contributions to a deferred compensation plan from taxable income, or has taken a deduction for a contribution to an IRA, self-employed SEP, SIMPLE, or qualified plan, and the excluded or deducted contributions are not included in income on Schedule H or H-EZ.

#### **Solution:**

- Include on line 9e of Schedule H (line 6e of Schedule H-EZ), all contributions made to a deferred compensation plan during the year, that have been excluded from taxable wages. Generally these amounts are reported in box 12 of the wage and tax statement (Form W-2) and are preceded by the prefix "D," "E," "F," "G," "H," "S," or "Y."
- Include on line 9f of Schedule H (line 6f of Schedule H-EZ), amounts deducted for contributions to an IRA, self-employed SEP, SIMPLE, or qualified plan. These amounts are reported in the adjustments section at the bottom of the front page of federal Form 1040 or 1040A.
- Do not include amounts that are rolled over from one retirement plan to another or non-deductible retirement plan contributions.

### ***5. Nontaxable capital gain or excludable gain from sale of homestead not included in income on Schedule H***

**Situation B5:** Nontaxable capital gain (for example, the 60% capital gain exclusion for assets held more than one year) or the gain from the sale or exchange of a principal residence (which is excludable from taxable income) is not included on Schedule H.



**Solution:**

- Report the excludable gain from the sale or exchange of a principal residence on line 11c of Schedule H. Report the nontaxable portion of all other capital gains on line 11d of Schedule H.
- Attach a schedule showing the computation of the gain from the sale or exchange of the principal residence (selling price minus adjusted basis minus expense of sale).

**Note:** The inclusion of the gain from the sale of the principal residence may result in a person's income exceeding the maximum income level (for example, \$24,500 for 2005) in the year the sale occurs. In this case, the person is not eligible for homestead credit for that year.

## 6. *Depreciation not included in income on Schedule H*

**Situation B6:** Not all depreciation is included on Schedule H when: income or loss from a partnership, LLC, or tax-option (S) corporation is reported; car-truck expenses are claimed using the standard mileage rate; or depreciation is claimed on a business, rent, or farm schedule. (**Note:** In this Situation, the term "depreciation" also includes Section 179 expense, depletion, amortization, and intangible drilling costs.)

**Solution:**

### **Partnerships, LLCs, and tax-option (S) corporations**

- On line 11g of Schedule H, include the distributive share of depreciation from the partnership, LLC, or tax-option (S) corporation. It may be necessary to contact the entity to obtain this information. Do not look to Schedule K-1, 3K-1, or 5K-1 for this information, since the items are not all reportable on those schedules.
- If the tax return includes income or loss from an entity, but the entity did not claim any depreciation, write "None" on line 28

of the federal Schedule E (near the entity's name), or attach a note explaining this.

### **Standard mileage rate**

- On line 11h of Schedule H, include depreciation of 17¢ per mile if car/truck expenses are claimed and the expenses are based on the standard mileage rate. Write the number of miles next to the deduction on federal Schedule C, E, or F, or attach a note indicating the number of miles. However, if the standard mileage rate is used but the adjusted basis of the vehicle has reached zero, attach a note explaining this and do not claim depreciation for any miles after the basis has reached zero.

### **Business, rent, and farm schedules**

- On line 11i of Schedule H, include all depreciation claimed on a business, rent, or farm schedule, that is not included on line 11g or 11h.
- If car/truck expenses are claimed based on actual operating costs rather than the standard mileage rate, write "actual" next to the deduction on federal Schedule C, E, or F or near line 5a of federal Schedule C-EZ, or attach a note explaining that the expenses are based on actual operating costs.

## 7. *Low income or no income reported*

**Situation B7:** The amount of household income to report on Schedule H or H-EZ is less than the amount needed to pay the rent or property taxes and other living expenses.

**Solution:** Attach a note explaining the sources of the funds used to pay the rent or property taxes and other living expenses. If student loans, other loans, gifts, an inheritance, or life insurance proceeds were received, indicate in the note the approximate amount received from each source, but do not include those amounts in household income.

## C. Situations Relating to Property Taxes or Rent

### 1. *Claimant moved during the year*

**Situation C1:** The claimant resided in more than one dwelling during the year to which the claim relates.

**Solution:**

- Attach a note listing the address of each dwelling and the dates the claimant lived at each address during the year.
- Claim the prorated property taxes or rent for the time the claimant occupied each dwelling during the year. If less than 12 months of property taxes and/or rent are being claimed, attach a note explaining where the claimant lived for the balance of the year. If the claimant lived outside of Wisconsin, explain the full-year Wisconsin resident status (for example, temporary absence, maintained Wisconsin domicile, etc.).
- Do not claim more than 12 months of property taxes and/or rent. If the claimant paid property taxes and/or rent for two dwellings for the same time period, claim only the amount for the dwelling where the claimant actually lived, and explain in a note where the claimant lived during the overlapping period.
- If the claimant owned his or her homestead, claim only the portion of property taxes prorated for the time the claimant both owned and occupied it. If the homestead was sold during the year, attach a copy of the closing statement to verify the claimant's ownership of the sold homestead, the prorated property taxes, and the date of sale. Also see Situations A5 on page 3 and B5 on page 6.
- If the claimant paid rent for more than one homestead for the year, attach a separate rent certificate for each homestead.

- If the claimant moved from a homestead he or she owned to tax-exempt housing, see paragraph 8 under "Exceptions: Homeowners and/or Renters" in the homestead credit instruction booklet. Also see the second EXCEPTION in Situation E2 on page 14.

### 2. *More than one occupant on rent certificate*

**Situation C2:** The number of occupants shown on line 11d of the rent certificate is more than one, and the rent is not divided equally among the occupants. (**Note:** The claimant's spouse and minor children – those under age 18 as of December 31 of the year to which the claim relates – should not be counted as occupants on the rent certificate.)

**Solution:**

- If the claimant claims an amount other than his or her proportionate share of the rent (for example, there are 3 occupants and the claimant claims more than 1/3 of the rent shown on the rent certificate), complete the Shared Living Expenses Schedule on the bottom of the rent certificate to compute the percentage of "shared living expenses" the claimant paid. Shared living expenses include rent, food, utilities, and other household expenses.
- The claimant may claim the portion of the rent that reflects his or her share of the total shared living expenses.

### 3. *Landlord will not sign rent certificate*

**Situation C3:** The claimant's landlord will not sign a rent certificate for the year to which the claim relates.

**Solution:** Claim only rent that can be verified in another manner.

- Complete all but the signature line of the rent certificate, including a reasonable estimate of the value of food or services provided by the landlord.

- On line 12, fill in the value of food or services provided by the landlord. Fill in 0 if neither food nor services were provided.
- On line 13b, check “Yes” or “No” to indicate whether heat was included in the rent.
- Check the box on line 5 of the rent certificate, indicating the landlord will not sign. Leave the signature line blank.
- Attach the rent certificate to Schedule H or H-EZ.
- Attach copies of all the canceled rent checks (front and back) or money order receipts to verify all the rent claimed. If the claimant does not have verification of all the rent claimed, contact the Department of Revenue at (608) 266-8641 for additional instructions.

#### 4. *Claimant lived in a mobile home*

**Situation C4:** The claimant lived in a mobile home during the year to which the claim relates. (**Note:** A claimant may own the mobile home and rent the land on which it was located, rent the mobile home and own the land, rent both the mobile home and the land, or own both the mobile home and the land. The solution covers all of these situations.)

##### **Solution:**

##### **Rent**

- Claim any rent the claimant paid for the mobile home, or for the land on which it was located, on line 14a or 14c of Schedule H (line 9a or 9c of Schedule H-EZ). Attach a completed rent certificate to Schedule H or H-EZ.

##### **Personal property taxes or real estate taxes:**

- Owners: Claim any personal property taxes or real estate taxes the claimant paid for the mobile home or the land, on line 13 of Schedule H (line 8 of Schedule H-EZ). At-

tach the property tax bill to Schedule H or H-EZ and write “mobile home” on the tax bill for the mobile home.

- Renters: If the claimant rented the mobile home or land but paid the personal property taxes or real estate taxes to the landlord, claim those amounts as rent on line 14a or 14c of Schedule H (line 9a or 9c of Schedule H-EZ). Attach a completed rent certificate to Schedule H or H-EZ (those amounts should be included on line 10b of the rent certificate).

##### **Mobile home taxes, mobile home parking permit fees, or municipal fees**

- Owners: Claim any mobile home taxes, mobile home parking permit fees, or municipal fees the claimant paid for the mobile home **as taxes** on line 13 of Schedule H (line 8 of Schedule H-EZ). If the landlord collected the mobile home taxes, parking permit fees, or municipal fees for the municipality, attach a completed rent certificate to Schedule H or H-EZ (those amounts should be filled in on line 10b of the rent certificate). If the claimant paid the fees directly to the municipality, attach a statement from the municipal treasurer, showing the amount the claimant paid.
- Renters: If the claimant rented the mobile home but paid mobile home taxes, mobile home parking permit fees, or municipal fees to the landlord, claim those amounts as rent on line 14a or 14c of Schedule H (line 9a or 9c of Schedule H-EZ). Attach a completed rent certificate to Schedule H or H-EZ (those amounts should be filled in on line 10b of the rent certificate).

#### 5. *Lottery and gaming credit not shown on property tax bill*

**Situation C5:** The property tax bill or computer printout substitute does not have an amount filled in for the lottery and gaming credit.

**Solution:**

- If the claimant received or will receive a lottery and gaming credit separately, subtract the credit from the amount shown on the property tax bill or computer printout, and include only the net amount on line 13 of Schedule H (line 8 of Schedule H-EZ). Attach a note explaining that the lottery and gaming credit was received separately, and indicating the amount of the credit.
- If the claimant did not and will not receive a lottery and gaming credit on his or her homestead for the year, attach a note indicating this.
- If the claimant receives a lottery and gaming credit on his or her property tax bill and uses a computer printout as a substitute, and it does not have a line for the lottery and gaming credit, obtain a replacement document with this information on it.

**6. Addresses on tax bill and claim differ**

**Situation C6:** The address on the property tax bill is different than the address on the homestead credit claim.

**Solution:**

- Attach a statement explaining where the claimant resided during the year to which the claim relates, and why the addresses are different (for example, the address on the Schedule H or H-EZ is just a mailing address, the claimant moved there after December 31, etc.).
- If the claimant did not reside in the homestead during the entire year, claim the property taxes for only the portion of the year that the claimant resided in the homestead. (**Note:** If the claimant resided in other dwellings for which homestead credit may be claimed for the year, also attach property tax bills or rent certificates for those homesteads. Also see Situation C1 on page 8.)

**7. Possible part business use of homestead**

**Situation C7:** Either: part of the claimant's homestead is used for rental or business purposes while the claimant lives there (not including farming); part of the claimant's homestead property (for example, a separate living unit) is occupied by others rent free; or the rental or business address is not listed on a rental or business schedule, or it is the same as the homestead address.

**Solution:**

**Part rental or business use**

- Check the third box in the area above line 13 of Schedule H, and complete Schedule 2 on page 3 to prorate rent/property taxes for the percentage of rental or business use for which a deduction is allowed or allowable for federal tax purposes. Claim only the personal portion. (**Note:** if no rental or business deduction is allowed or allowable, proration is not necessary; attach a note indicating that no federal rental or business deduction is allowed or allowable.)

**Part occupied rent free**

- Check the third box in the area above line 13 of Schedule H, and complete Schedule 2 on page 3 to prorate rent/property taxes for the percentage used by others rent free. Claim only the personal portion.

**Address not listed**

- List the address of the rental or business location on the federal Schedule C, C-EZ, or E. If it is the same as the homestead address but no rental/business deduction is allowed or allowable for federal tax purposes, attach a note indicating this.

## D. Situations Relating to Electronically-Filed Claims

**Note:** Many of the situations and solutions in Sections A, B, C, and E also apply to electronically-filed (“e-filed”) homestead credit claims. This section applies solely to e-filed claims.

### 1. *Property tax information transmitted electronically is incorrect or incomplete*

**Situation D1:** The property tax information sheet transmitted with the e-filed homestead credit claim is incorrect or incomplete.

**Solution:**

- Enter all of the required information, exactly as it is shown on the property tax bill, and in the correct spaces.
- For co-owned property, enter the full amount of property taxes, rather than an amount reduced to reflect the ownership percentage.
- Use only the tax bill for the homestead parcel in completing the “Tax Bill Information for Your Home” section. Use the “Additional Tax Bill Information for Adjoining Property” section for any other tax bills.
- Do not fill in occupancy dates unless the homestead was purchased or sold during the year.
- Complete the “Closing Statement and Sale of Home Information” section if the homestead was sold during the year.

### 2. *Rent certificate information transmitted electronically is incorrect or incomplete*

**Situation D2:** The rent certificate information transmitted with the e-filed homestead credit claim is incorrect or incomplete.

**Solution:**

- Provide all of the information from the original rent certificate that the landlord has

signed, and enter the information exactly as it appears on the original rent certificate.

- Do not complete an electronic rent certificate if there is not an original rent certificate that has been signed by the landlord. **EXCEPTION:** If the landlord will not sign, indicate this and complete all of the claimant and landlord information. Mail copies of each canceled check or money order receipt with the Form W-RA (see Situation D4 on page 12). If the claimant does not have verification of all the rent claimed, contact the Department of Revenue at (608) 266-8641 for additional instructions.
- Complete the “Allowable Rent for Shared Living Expenses” section when it is filled in on the original rent certificate.
- If the e-filing software makes any automatic entries, verify that the amounts are the same as shown on the original rent certificate. If not, the amounts must be overridden and reentered, so they match.

### 3. *Homestead credit notes not transmitted electronically*

**Situation D3:** A homestead credit note that is needed (“needed” includes situations per the Schedule H and H-EZ instructions, such as when the lottery and gaming credit is not shown on the property tax bill) is not transmitted with the e-filed homestead credit claim.

**Solution:**

- Whenever a note is needed, transmit the “Notes” page with the e-filed Schedule H or H-EZ. (**Note:** For 2005, the “Notes” page as provided to software vendors is titled *Homestead Credit Notes and Attachments Checklist*. Vendors may have renamed the document.) Any attachments indicated by a note should be mailed to the department with the Form W-RA (see Situation D4 on page 12).

#### 4. *Required attachments not mailed or are improper*

**Situation D4:** The documents that are required to be mailed to the department (when a homestead credit claim is e-filed) are not mailed, are mailed before the e-filing acknowledgment, or are incorrect or incomplete.

##### **Solution:**

- Put the cover page (Form W-RA, *Required Attachments for Electronic Filing*) as the front document, and attach all Forms W-2 and Forms 1099-R, other Forms 1099 if there is Wisconsin tax withheld, original rent certificate(s) signed by the landlord, property tax bill(s), and any attachments (those indicated by an electronically transmitted note, or other attachments as appropriate).
- Mail the actual property tax bill(s) or computer printout(s) from the municipal treasurer, and/or the original rent certificate(s) signed by the landlord(s), **not** copies of the documents that are generated by the e-filing software.
- Do not mail the attachments until the Wisconsin e-filing acknowledgment has been received.
- Mail the information to the homestead credit address shown on the Form W-RA, or, if it is delivered by a means other than the U S Postal Service, use the delivery address shown in the Form W-RA instructions.
- **Do not** mail a copy of the electronically transmitted homestead credit claim.

### E. Special Situations

#### 1. *Spouses resided in separate homesteads*

**Situation E1:** The spouses resided in separate homesteads for all or part of the year to which the claim relates. (**Note:** “Resided in separate homesteads” does not include temporary separations. However, if one spouse is in a nursing home, also see Situation E2 on page 13.)

##### **Solution:**

- Determine which spouse (or whether both spouses) may file a homestead credit claim for the year, as follows:

**If the spouses did not reside together as of December 31:** Both spouses may file a claim if they both qualify. For any portion of the year that the spouses resided together, the combined income and rent or property taxes must be included on each spouse’s claim.

**If the spouses did reside together as of December 31:** Only one of the spouses may file a claim. The spouses must determine which one is to be the claimant.

- Compute the household income, and rent or property taxes, as follows:

##### **Household income**

- For the portion of the year that the claimant and the claimant’s spouse were married and resided together, include the combined household income of both spouses (if both spouses file a claim, the combined income must be included on both claims).
- For the portion of the year that the spouses were married but did not reside together, compute household income under Wisconsin’s marital property law. See the “Special Instructions” in the homestead credit instruction booklet for explanations and exceptions.

**Note:** When spouses reside in separate homesteads, a common situation involves spouses who were separated for the entire year, and who did not notify each other regarding marital property income. In this situation, each spouse who files a claim should report all of his or her own income and none of the

spouse's income, and answer "No" to question 6b on Schedule H.

- Attach all of the other required attachments. See the "Special Instructions" in the homestead credit instruction booklet for a listing of required attachments.

### **Rent or property taxes**

**If the claimant is a renter:** Claim the rent for the claimant's homestead, whether the spouse resided with the claimant or not (if both spouses file a claim, the rent for the portion of the year that the spouses resided together would be included on both claims).

**If the claimant is a homeowner:** The homestead is presumed to be marital property, unless the claimant proves otherwise (see the "Special Instructions" in the homestead credit instruction booklet, Part 2, item c of Attachments, for information on how to prove this). Compute allowable property taxes as follows:

- For the portion of the year the spouses resided together, claim the full amount of property taxes (if both spouses file a claim, these property taxes would be included on both claims).
- For the portion of the year that the spouses did not reside together:

On the Schedule H of the claimant who resided in the homestead, claim only his or her one-half share of the property taxes.

If the claimant who resided in the homestead pays all of the property taxes, claim the remaining one-half share of the property taxes (i.e., the spouse's share) as rent on line 14c of Schedule H.

## **2. Claimant or spouse in nursing home**

**Situation E2:** The claimant or the claimant's spouse resided in a nursing home, either during part or all of the year to which the claim relates, or at the time of filing the claim.

### **Solution:**

**Claimant in nursing home** (Note: This Solution applies whether the claimant is single or married.)

- Do not file a homestead credit claim if a person is both residing in a nursing home **and** receiving Title XIX medical assistance **at the time of preparing the claim**. In this situation, the person does not qualify for homestead credit, even if he or she was not in a nursing home during the year to which the claim relates.
- If the claimant is residing in a nursing home but **not** receiving Title XIX at the time of filing the claim, complete the claim based on where the claimant lived during the year (but see EXCEPTIONS on page 14).
  - If the claimant resided in a homestead other than a nursing home for part of the year, claim the rent or property taxes for that homestead for that portion of the year.
  - For months the claimant resided in a nursing home that is subject to property taxes, claim the rent from the rent certificate prepared by the nursing home.
  - For months the claimant resided in a nursing home that is not subject to property taxes, no rent may be claimed (persons who resided in a property tax-exempt nursing home during the entire year do not qualify for homestead credit for that year).
  - If the claimant is married, compute household income as explained in Situation E1 on page 12.

**EXCEPTIONS** to claim being based on nursing home rent –

- If the claimant resided in a nursing home during part of the year, and there is a reasonable expectation that the claimant will be returning to his or her homestead within one year of entering the nursing home, the claimant has the option of claiming either (i) rent or property taxes for the homestead, or (ii) rent for the nursing home. (**Note:** For either option, the Title XIX restriction at the time of filing the claim still applies.)
  - If this exception applies and the claim is based on rent or property taxes for the claimant’s homestead rather than rent for the nursing home, attach a note explaining that the nursing home stay is temporary, since question 4a on Schedule H (“Are you now living in a nursing home?”) will be answered “Yes.”
- If the claimant has moved to a property tax-exempt nursing home from the homestead he or she owns, has tried to sell it, and has not rented it to others, the claimant may base the claim on the property taxes for the time he or she still owns the homestead, for up to 12 months after moving to the nursing home (but the Title XIX restriction at the time of filing the claim still applies).
  - If a claim is filed using this exception, attach a note explaining the situation, since question 4a on Schedule H (“Are you now living in a nursing home?”) will be answered “Yes.”

**Claimant’s spouse in nursing home**

- If the claimant’s spouse resided in a nursing home during the year, the claimant who is not in a nursing home (referred to as the “community spouse”) may file a homestead credit claim if he or she qualifies (the spouse in the nursing home being on Title

XIX would not disqualify the community spouse claimant). If the spouse is in a nursing home on December 31, the nursing home spouse may also file a homestead credit claim if he or she qualifies.

- Compute household income as explained in Situation E1 on page 12. If the community spouse receives a “community spouse income allowance” from the nursing home spouse under Wisconsin’s Spousal Impoverishment Program, that income is not includable on the community spouse’s Schedule H (it is includable on the nursing home spouse’s claim).
- Compute the community spouse’s property taxes or rent as explained in Situation E1 on page 12.
- Attach a note indicating which months the claimant’s spouse resided in a nursing home during the year.

### **III. ADDITIONAL INFORMATION**

If you have questions about Wisconsin homestead credit, visit or call any Department of Revenue office, or contact the homestead credit unit in Madison by any of the following methods:

- By phone at (608) 266-8641.
- By fax at (608) 261-7049.
- By mail at  
Wisconsin Department of Revenue  
Mail Stop 5-77  
P.O. Box 8949  
Madison, WI 53708-8949
- By accessing the department’s web site at [www.dor.state.wi.us](http://www.dor.state.wi.us) and clicking on “FAQs” (frequently asked questions).
- By sending an e-mail message to the department at [homestd@dor.state.wi.us](mailto:homestd@dor.state.wi.us).